

**Genesee County 9-1-1 Consortium  
Commission  
Genesee County, Michigan**

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**Financial Statements  
September 30, 2008**

# **Genesee County 9-1-1 Consortium Commission**

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## **Introductory Section**

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# Genesee County 9-1-1 Consortium Commission

## List of Appointed Officials

### Executive Board of Directors

Kurt Soper, Davison Township .....	Chairman
Randy Byrne, City of Grand Blanc.....	Vice Chairman
Bob Neumann, Mundy Township .....	Treasurer
Robert Cole, Argentine Township .....	Member
Paul Fortino, Gaines Township .....	Member
Eldon Dunklee, City of Montrose .....	Member
Jakki Sidge, Village of Goodrich .....	Member
Scott Streeter, Genesee Township .....	Member
Valerie Pace, Forest Township .....	Member
Robert Pickell, Genesee County Sheriff .....	Member
Rick Arnold, State Police Designee .....	Member
Jamie Curtis, Genesee County Board of Commissioners .....	Member
Rose Bogardus, Genesee County Board of Commissioners .....	Member

### General Membership

Robert Cole.....	Argentine Township
Teresa Onika.....	Atlas Township
Rod Shumaker .....	Clayton Township
Kurt Soper .....	Davison Township
Bonnie Mathis.....	Fenton Township
Doug Carlton .....	Flint Township
Andrew Trogotot.....	Flushing Township
Valerie Pace.....	Forest Township
Paul Fortino.....	Gaines Township
Scott Streeter .....	Genesee Township
Jeff Zittel.....	Grand Blanc Township
Mark Emmendorfer.....	Montrose Township
Paul Long.....	Mt. Morris Township
Bob Neuman .....	Mundy Township
Jim Jacques .....	Richfield Township
Luther Hachett.....	Thetford Township
Anthony McKerchie .....	Vienna Township
Duane Haskins .....	City of Burton
William Kovi .....	City of Clio
Dale Martin .....	City of Davison
Dennis Bow .....	City of Flushing
Randy Byrne .....	City of Grand Blanc
Christopher Wren.....	City of Linden
Eldon Dunklee.....	City of Montrose
Dennis Heidenfeldt .....	City of Mt. Morris
Paul Bueche.....	City of Swartz Creek
Thomas Keech .....	Village of Gaines
Jakki Sidge.....	Village of Goodrich
Arden Hudson.....	Village of Otisville
Rose Bogardus.....	Genesee County

## **Financial Section**

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## Independent Auditors' Report

To the Genesee County 9-I-I Consortium  
Commission Board  
Genesee County 9-I-I Consortium Commission  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Genesee County 9-I-I Consortium Commission (the "Consortium") as of and for the year ended September 30, 2008, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Genesee County 9-I-I Consortium Commission at September 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

November 7, 2008

# **Genesee County 9-1-1 Consortium Commission**

## **Management's Discussion and Analysis**

This section of the Genesee County 9-1-1 Consortium Commission's annual financial report presents our discussion and analysis of the Consortium's financial performance during the fiscal year ended September 30, 2008. Please read it in conjunction with the Consortium's financial statements, which follow this section.

### **Financial Highlights**

- The Consortium's total net assets are \$19,881,113.
- During the year, the Consortium's expenses of \$3,950,989 were \$710,983 less than the \$4,661,972 generated in telephone service fees and other revenues for governmental programs.
- The Consortium's unrestricted net assets were \$8,754,042 - \$27,942 is restricted for wireless education expenses, and \$395,053 is restricted for capital improvements - for fiscal year ended 2008.
- The Consortium's net assets invested in capital assets, net of related debt, are \$10,704,076.
- The Consortium's available cash and cash equivalents to be used to pay for future operations were \$6,625,706.
- The Consortium's cash and cash equivalents in the Capital Project Fund were \$392,840.

### **Overview of the Financial Statements**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### **Basic Financial Statements**

The basic financial statements provide detailed information about the Consortium's two funds and the Consortium as a whole. Funds are accounting devices that the Consortium uses to keep track of specific sources of funding and spending for particular purposes.

- The General Fund is required by state law.
- The Consortium establishes other funds to control and manage money for particular purposes (like the Capital Improvement Fund).

# Genesee County 9-1-1 Consortium Commission

## Management's Discussion and Analysis (Continued)

The Consortium has one kind of fund:

- Governmental funds - Most of the Consortium's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Consortium's programs. The General Fund is the only major fund of the Consortium.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 28 of this report.

### Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Consortium. This required information regarding the Consortium's budget to actual comparison for the General Fund can be found on page 30.

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by approximately \$19.9 million at the close of the most recent fiscal year (see table below).

#### Summary Condensed Statement of Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current assets	\$ 9,443,561	\$ 8,935,375
Noncurrent assets - Capital assets	<u>11,688,236</u>	<u>10,544,300</u>
Total assets	21,131,797	19,479,675
Liabilities	<u>1,250,684</u>	<u>309,545</u>
Net assets:		
Invested in capital assets, net of related debt	10,704,076	10,544,300
Restricted	422,995	405,069
Unrestricted	<u>8,754,042</u>	<u>8,220,761</u>
Total net assets	<u><b>\$19,881,113</b></u>	<u><b>\$19,170,130</b></u>



# Genesee County 9-1-1 Consortium Commission

## Management's Discussion and Analysis (Continued)

By far, the largest portion of the Consortium's assets reflects its investment in capital assets (office and communication equipment). The Consortium uses these assets to provide its services; consequently, these assets are not available for future spending. An additional net asset (2 percent) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of unrestricted net assets, \$8.8 million (44 percent of net assets) may be used to meet the Consortium's ongoing obligations.

The State of Michigan requires that non-wireless and wireless revenue and expenses are separately shown on the statement of activities. Any unspent wireless service fees and unspent wireless education income at September 30, 2008 have been shown as a fund balance reservation in the General Fund. At September 30, 2008, there were no unspent wireless funds and \$27,942 of unspent wireless education funds.

### Financial Analysis of the Consortium's Funds

As noted earlier, the Consortium uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Consortium's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Consortium's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Consortium.

### Consortium's Changes in Net Assets

	Governmental Activities	
	2008	2007
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4,339,518	\$ 3,944,858
Operating grants and contributions	27,573	28,537
General revenue - Interest	294,881	449,275
Total revenue	4,661,972	4,422,670
<b>Program Expenses</b>		
Non-wireless	3,530,396	4,000,043
Wireless	420,593	416,987
Total program expenses	3,950,989	4,417,030
<b>Change in Net Assets</b>	710,983	5,640
<b>Net Assets</b> - Beginning of year	19,170,130	19,164,490
<b>Net Assets</b> - End of year	<u>\$19,881,113</u>	<u>\$19,170,130</u>

# **Genesee County 9-1-1 Consortium Commission**

## **Management's Discussion and Analysis (Continued)**

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### **Consortium Commitments**

The Consortium has two active project commitments during 2008. The projects include a data communication system and a public safety mobile data communication system. The Integraph contract for \$1,557,928 has \$968,887 paid on it to date at September 30, 2008. The Data Radio contract for \$1,382,305 has \$953,993 paid on it to date at September 30, 2008. The Consortium has 20-year land leases which are paid at various rates.

### **General Fund Budgetary Highlights**

The Consortium once again produced a timely budget for 2007-2008 and amended it in September 2008. The budget for 2009 was also adopted timely.

### **Capital Assets**

At the end of 2008, the Consortium had invested \$11,688,236 in office and communication equipment with off-setting debt of \$984,160. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for GASB Statement 34.

### **Contacting the Consortium's Financial Administration**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Genesee County 9-1-1 Consortium Commission's Director, Lloyd Fayling, at G-4481 Corunna Road, Flint, Michigan 48532.

## **Basic Financial Statements**

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# Genesee County 9-1-1 Consortium Commission

	Governmental Fund Types		Total Governmental Funds
	General Fund	Capital Project Fund	
<b>Assets</b>			
Cash and cash equivalents	\$ 6,625,706	\$ 392,840	\$ 7,018,546
Investments	1,269,456	-	1,269,456
Interest receivable	35,943	2,213	38,156
Accounts receivable	42,630	-	42,630
Due from other governments	904,149	-	904,149
Prepaid expenses	170,624	-	170,624
Capital assets (not depreciated)	-	-	-
Capital assets (net of depreciation)	-	-	-
Total assets	<u><u>\$ 9,048,508</u></u>	<u><u>\$ 395,053</u></u>	<u><u>\$ 9,443,561</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 89,000	\$ -	\$ 89,000
Accrued liabilities	128,121	-	128,121
Capital lease - Due within one year	-	-	-
Capital lease - Due in more than one year	-	-	-
Total liabilities	217,121	-	217,121
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Reserved for prepaid expenses	170,624	-	170,624
Reserved for wireless education expenses	27,942	-	27,942
Reserved for capital outlay	-	395,053	395,053
Unreserved:			
Designated for future year expenditures	637,660	-	637,660
Undesignated	7,995,161	-	7,995,161
Total fund balance	<u>8,831,387</u>	<u>395,053</u>	<u>9,226,440</u>
Total liabilities and fund balance	<u><u>\$ 9,048,508</u></u>	<u><u>\$ 395,053</u></u>	<u><u>\$ 9,443,561</u></u>
Net assets:			
Invested in capital assets, net of related debt			
Restricted for wireless			
Restricted for capital improvements			
Unrestricted			
Total net assets			

**Statement of Net Assets and  
Governmental Funds Balance Sheet  
September 30, 2008**

Adjustments (Note 2 A)	Statement of Net Assets
\$ -	\$ 7,018,546
-	1,269,456
-	38,156
-	42,630
-	904,149
-	170,624
1,868,425	1,868,425
9,819,811	9,819,811
11,688,236	21,131,797
-	89,000
49,403	177,524
230,197	230,197
753,963	753,963
1,033,563	1,250,684
(170,624)	-
(27,942)	-
(395,053)	-
(637,660)	-
(7,995,161)	-
(9,226,440)	-
10,704,076	10,704,076
27,942	27,942
395,053	395,053
8,754,042	8,754,042
<b>\$ 19,881,113</b>	<b>\$ 19,881,113</b>

# Genesee County 9-1-1 Consortium Commission

Expenditures/Expenses	Governmental Fund Types		Total Governmental Funds
	General Fund	Capital Project Fund	
Current:			
Nonwireless:			
Salaries and wages	\$ 1,529,156	\$ -	\$ 1,529,156
Fringe benefits	686,474	-	686,474
Office supplies	11,826	-	11,826
Postage	1,541	-	1,541
Uniforms	4,322	-	4,322
Contract services	93,357	-	93,357
Accounting	17,425	-	17,425
Professional fees	16,500	-	16,500
Memberships	2,714	-	2,714
Insurance	42,738	-	42,738
Telephone	36,699	-	36,699
Utilities	29,805	-	29,805
Building maintenance	15,203	-	15,203
Equipment maintenance	1,469	-	1,469
Equipment service contracts	125,281	-	125,281
Equipment lease	4,724	-	4,724
Tower lease	41,000	-	41,000
Facilities agreement	40,000	-	40,000
Education and training	2,938	-	2,938
Depreciation	-	-	-
Capital outlay - Communications equipment	962,310	-	962,310
Wireless:			
Salaries and wages	397,246	-	397,246
Salaries - Education and training	9,322	-	9,322
Education and training	14,025	-	14,025
Total expenditures/expenses	4,086,075	-	4,086,075
<b>Program Revenue</b>			
Telephone service fees	3,880,061	-	3,880,061
Wireless service fees	397,246	-	397,246
Microphone fee income	59,100	-	59,100
Other revenues	3,111	-	3,111
Operating grant - Wireless education income	27,573	-	27,573
Total program revenue	4,367,091	-	4,367,091
<b>Net Program Revenue</b>	281,016	-	281,016
<b>General Revenue - Interest</b>	281,181	13,700	294,881
<b>Excess of Revenue Over Expenditures/Expenses</b>	562,197	13,700	575,897
<b>Fund Balance/Net Assets - Beginning of year</b>	8,269,190	381,353	8,650,543
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 8,831,387</u>	<u>\$ 395,053</u>	<u>\$ 9,226,440</u>

The Notes to Financial Statements  
Are an Integral Part of this Statement.

**Statement of Activities and  
Governmental Fund Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended September 30, 2008**

Adjustments (Note 2 B)	Statement of Activities
\$ 24,690	\$ 1,553,846
-	686,474
-	11,826
-	1,541
-	4,322
-	93,357
-	17,425
-	16,500
-	2,714
-	42,738
-	36,699
-	29,805
-	15,203
-	1,469
-	125,281
-	4,724
-	41,000
-	40,000
-	2,938
717,613	717,613
(877,389)	84,921
-	397,246
-	9,322
-	14,025
(135,086)	3,950,989
-	3,880,061
-	397,246
-	59,100
-	3,111
-	27,573
-	4,367,091
135,086	416,102
-	294,881
135,086	710,983
10,519,587	19,170,130
<b>\$ 10,654,673</b>	<b>\$ 19,881,113</b>

## **Notes to Basic Financial Statements**

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# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note I - Summary of Significant Accounting Policies**

#### **A. Reporting Entity**

The Genesee County 9-1-1 Consortium Commission (the "Consortium") was jointly created by agreement between Genesee County and various public agencies (Charter Townships of Flint, Clayton, Montrose, Grand Blanc, Genesee, Fenton, Mundy, Mt. Morris, and Vienna; Townships of Davison, Richfield, Argentine, Forest, Atlas, Gaines, Thetford, and Flushing; Cities of Mt. Morris, Clio, Linden, Grand Blanc, Swartz Creek, Burton, Davison, Flushing, and Montrose; and Villages of Gaines, Goodrich, and Otisville) pursuant to the Urban Cooperation Act and the 9-1-1 Act to administer and execute the Genesee County 9-1-1 Consortium Agreement, and to operate the Central Dispatch Public Safety Answering Point pursuant to designation from the Board of Commissioners. The Consortium's effective date of creation was March 1, 1997. The agreement shall terminate on the effective date upon which there are no longer at least two parties to the agreement.

One member is appointed by the governing body of each of the participating members of the consortium. These members collectively constitute the membership board. The membership board is required to adopt an annual operating budget for the operation of central dispatch and shall elect the elected director members of the executive board. The executive board shall consist of 13 members (nine of these members will be members of and elected by the membership board, the four other members shall be two members of the board of commissioners selected by the board of commissioners, a representative of the State Police designated by the director of the State Police, and the Genesee County Sheriff or his or her designated representative). Of the elected directors, six shall represent general law and charter townships, two shall represent cities, and one shall represent villages. Persons holding elected director positions are removable by the membership for reasonable cause.

Any party may withdraw from the Consortium and thereby prospectively rescind or terminate the consortium agreement as to that party, by a formal majority vote of the governing body of the party, which approved withdrawal must also specify an effective date. The withdrawal may not be made effective, however, prior to 180 days after the party has notified the Consortium of the approval of the withdrawal, or at the end of the Consortium's fiscal year within which the vote is taken, whichever is later. The withdrawing party's future financial obligations, if any, as a party to this agreement shall cease as of the date withdrawal becomes effective, and all interest the member may have in funds and other property of the Consortium, including but not limited to the equipment used in operating central dispatch, shall be forfeited. Financial obligations which have accrued as of the withdrawal must be paid by the withdrawing party.

# **Genesee County 9-1-1 Consortium Commission**

## **Notes to Basic Financial Statements September 30, 2008**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **A. Reporting Entity (Continued)**

The parties to the Consortium shall be assessed by the membership board their respective shares of any central dispatch costs which are within the proper cost and charge components of the emergency telephone charge under Section 102 of the 9-1-1 Act, MCL 484.1102, and which are not funded by the two emergency telephone charges or by non-parties to this agreement, in these shares:

Genesee County	22%
Other Parties	78%

The "Other Parties" will share the 78 percent on the basis of an average percent using state equalized value (SEV) and population. The percentages applied will be the respective percentages of each Other Party of the total SEV and the total population of all the Other Parties. This average percentage may be changed from time to time by the executive board when changes in the SEV or population occur, and shall be changed to reflect any addition to or deletion from the roster of Other Parties.

As to any period of operation during which central dispatch is not being operated by the Consortium, no central dispatch costs shall be assessed to the members of the Consortium, the first paragraph of this Section notwithstanding, in excess of the greater of (1) the costs provided for in the annual budget for central dispatch as adopted by the membership board or (2) the costs reasonably required to maintain the type and quality of 9-1-1 service that was being provided by central dispatch.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from services provided.

# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Charges for services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include charges to customers for services.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits:**

The Consortium's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### **2. Investments:**

Investments for the Consortium are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements. At September 30, 2008, the Consortium held one certificate of deposit with a maturity date of greater than three months.

##### **3. Prepaid items:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### **4. Capital assets:**

Capital assets, which include office equipment, communication equipment, and leasehold improvements, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# Genesee County 9-1-1 Consortium Commission

## Notes to Basic Financial Statements September 30, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 4. Capital assets (continued):

Office equipment, communication equipment, and leasehold improvements of the Consortium are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture	10
Computer equipment	5
Software	2-5
Communication equipment	10
Towers	20
Leasehold improvements	15

##### 5. Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Capital assets, net of accumulated depreciation	\$11,688,236
Compensated absences	(49,403)
Capital lease	<u>(984,160)</u>
Net adjustment to increase fund balance - Total governmental funds to arrive at net assets - Governmental activities	<u>\$10,654,673</u>

# **Genesee County 9-1-1 Consortium Commission**

## **Notes to Basic Financial Statements September 30, 2008**

### **Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)**

#### **B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 1,861,549
Capital lease	(984,160)
Depreciation expense	(717,613)
Compensated absences	<u>(24,690)</u>
Net adjustment to increase net changes in fund balances - Total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 135,086</u>

### **Note 3 - Stewardship, Compliance, and Accountability**

#### **Budgetary Information**

The Consortium follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget is submitted to the membership board for the year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund. (This fund is required to have a budget per Michigan law.)
2. The budget is legally adopted on a line-item basis.
3. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
4. The original budget was amended during the year.

# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note 3 - Stewardship, Compliance, and Accountability (Continued)**

A log of telephone calls is maintained by type of caller for use in allocating expenses between nonwireless and wireless. For fiscal year 2008, the split was wireless - 42.5 percent - and nonwireless - 57.5 percent.

The public voted on the telephone service fee of \$2.40 renewing the service fee through December 31, 2010; however, state law only allowed the surcharge to be collected through December 31, 2007. The State of Michigan did approve an extension for the collection of the telephone service fee through June 30, 2008.

New surcharge funding was also passed by the State of Michigan during the current fiscal year, starting July 1, 2008, with a sunset of 14 months; however, the sunset starts from January 1, 2008. The new funding rate for the surcharge is \$1.24 per telephone device and will continue through February 2009.

### **Note 4 - Detailed Notes on All Funds**

#### **A. Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Consortium has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Consortium's deposits and investment policies are in accordance with statutory authority.

# Genesee County 9-1-1 Consortium Commission

## Notes to Basic Financial Statements September 30, 2008

### Note 4 - Detailed Notes on All Funds (Continued)

#### A. Deposits and Investments (Continued)

The Consortium's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned to it. The Consortium does not have a deposit policy for custodial credit risk. At year end, the Consortium had \$7,942,102 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Consortium believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Consortium evaluates the financial institutions with which it deposits funds and assesses level of risk; only those institutions with an acceptable estimated risk level are used as depositories. Subsequent to year end, FDIC insurance increased to \$250,000 per bank and the Consortium collateralized its certificate of deposits held by one of its banks.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Consortium's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Sweep investment	\$187,851	Counterparty

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Consortium has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>How Held</u>
Sweep investment	\$187,851	Aaa	Counterparty



# Genesee County 9-1-1 Consortium Commission

## Notes to Basic Financial Statements September 30, 2008

### Note 4 - Detailed Notes on All Funds (Continued)

#### B. Receivables

Receivables as of year end for the Consortium's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:

Receivables:

Interest and dividends	\$ 38,156
Accounts receivable	42,630
Intergovernmental	<u>904,149</u>
Gross receivables	984,935

Less allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$ 984,935</u>

#### C. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not depreciated -				
Construction in progress	\$ 1,628,712	\$ 582,251	\$ (342,538)	\$ 1,868,425
Capital assets being depreciated:				
Office and communication equipment	16,217,023	1,624,598	(5,617,702)	12,223,919
Leasehold improvements	65,555	-	-	65,555
Less accumulated depreciation for				
office and communication equipment	<u>(7,366,990)</u>	<u>(717,613)</u>	<u>5,614,940</u>	<u>(2,469,663)</u>
Net capital assets being				
depreciated	<u>8,915,588</u>	<u>906,985</u>	<u>(2,762)</u>	<u>9,819,811</u>
Governmental activities capital assets	<u>\$10,544,300</u>	<u>\$ 1,489,236</u>	<u>\$ (345,300)</u>	<u>\$11,688,236</u>

# Genesee County 9-1-1 Consortium Commission

## Notes to Basic Financial Statements September 30, 2008

### Note 4 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities - Current:

Nonwireless	\$717,613
Wireless	-

Total depreciation expense - Governmental activities	<u>\$717,613</u>
--	------------------

Communication project commitments:

The Consortium had four active project commitments during 2008, two of which were still active as of September 30, 2008. The projects include the purchase and installation of a data communication system and the purchase and installation of a public safety mobile data communication system. At year end, the Consortium's commitments are as follows:

<u>Vendor</u>	<u>Final Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Commitment</u>
Data Radio	\$1,382,305	\$953,993	\$428,312
Integrapph	1,557,928	968,887	589,041

Preventive maintenance plan:

The Consortium has contracted with Motorola to provide an aggressive preventive maintenance plan for communication software. The agreement has a five-year term, an annual rate of \$52,868 for the first two years and \$84,421 for the third through fifth years, and is for the period from March 2007 through February 2012.

#### D. Leases

Operating leases:

The Consortium has agreements for the lease of land sites and the use of a tower under noncancelable operating leases.

# **Genesee County 9-1-1 Consortium Commission**

## **Notes to Basic Financial Statements September 30, 2008**

### **Note 4 - Detailed Notes on All Funds (Continued)**

#### **D. Leases (Continued)**

Operating leases (continued):

The following is a schedule, by year, of the future minimum rental payments required under the noncancelable operating leases as of September 30, 2008.

2009	\$ 37,601
2010	37,601
2011	37,601
2012	37,601
2013	37,601
2014 and after	<u>434,411</u>
Total minimum payments required	<u>\$622,416</u>

The Consortium also entered into a sublease agreement in July 2004 with a third party for the use of the land sites noted above. The third party has constructed communication towers on the land sites. This lease also gives the Consortium the use of the towers that will be constructed on these sites by the third party. The maintenance and insurance of the towers will be maintained by the third party.

Rental expense for all operating leases for the year ended September 30, 2008 was \$41,000.

The Consortium also has a facilities agreement for the occupancy of space in which it currently operates. The agreement is an annual lease and can be cancelled six months prior to year end in any given year. The agreement has an annual rate of \$40,000, which covers use of space and various utilities.

# Genesee County 9-1-1 Consortium Commission

## Notes to Basic Financial Statements September 30, 2008

### Note 4 - Detailed Notes on All Funds (Continued)

#### D. Leases (Continued)

Capital lease:

During the current fiscal year, the Consortium entered into an equipment lease-purchase agreement for the Davison site tower. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2009	\$ 274,036
2010	274,036
2011	274,036
2012	<u>274,036</u>
Total minimum payments required	1,096,144
Less amount representing interest	<u>(111,984)</u>
Present value	<u><u>\$984,160</u></u>

#### E. Long-term Debt

Governmental activities:

The compensated absences represent the estimated liability to be paid employees under the Consortium's pay policy. Under the Consortium's various contracts, employees earn compensation and sick time based on the pay policy.

Long-term liability activity for the year ended September 30, 2008 can be summarized as follows:

	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>October 1,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences	\$ 24,713	\$ 73,581	\$ 48,891	\$ 49,403	\$ 49,403
Capital lease	-	1,200,000	215,840	984,160	230,197
Total	<u>\$ 24,713</u>	<u>\$1,273,581</u>	<u>\$264,731</u>	<u>\$1,033,563</u>	<u>\$279,600</u>

# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note 5 - Other Information**

#### **A. Retirement Plan**

Full-time dispatchers and supervisors:

The Consortium has established the Genesee County 9-1-1 Consortium defined contribution pension plan administered by John Hancock Financial. The plan covers all full-time employees, with the exception of the director and deputy director, of the Consortium with at least three months of service and who are at least 18 years of age.

The employer contributes 10 percent of (total gross pay) employee compensation earned during the plan year for full-time dispatchers, the computer technician, and systems specialists. The employer contributes 15 percent of (total gross pay) employee compensation earned during the plan year for full-time supervisors, the computer administrator, and the administrative assistant. Each participant is 20 percent vested for each completed year of service to 100 percent vested for contributions made by the employer on his or her behalf. The plan does allow for voluntary employee contributions up to 10 percent for any employee who receives a 10 percent employer contribution. The plan also calls for a mandatory 5 percent employee contribution from all employees who receive a 15 percent employer contribution. During the year ended September 30, 2008, the Consortium contributed \$184,710 into the plan and employees contributed \$21,896 into the plan.

Director and Deputy Director:

The Consortium has also established the Genesee County 9-1-1 Consortium money purchase plan (Executive 401) administered by ICMA. The plan covers the director and deputy director of the Consortium with no service or age requirements.

The employer contributes 18 percent and 15 percent of (base pay) employee compensation earned during the plan year for the director and deputy director, respectively, and the employee contributes 5 percent. There is no vesting period included in this plan. During the year ended September 30, 2008, the Consortium contributed \$27,570 into the plan and the director and deputy director contributed \$8,246.

457 plan:

The Consortium offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Consortium employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

# **Genesee County 9-1-1 Consortium Commission**

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## **Notes to Basic Financial Statements September 30, 2008**

### **Note 5 - Other Information (Continued)**

#### **A. Retirement Plan (Continued)**

457 plan (continued):

The Consortium's plan administrator, ICMA, holds the assets of the plan within trusts. As a result, the plan's assets are not reflected on the financial statements since the Consortium has no fiduciary or administrative responsibility for these plans.

#### **B. Risk Management**

The Consortium is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Consortium has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Consortium pays unemployment claims on a reimbursement basis.

#### **C. Contingency**

New surcharge funding was passed by the State of Michigan during the current fiscal year, starting July 1, 2008, with a sunset of 14 months; however, the sunset starts from January 1, 2008. The new funding rate for the surcharge is \$1.24 per telephone device and will continue through February 2009.

## **Required Supplementary Information**

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# Genesee County 9-1-1 Consortium Commission

## Budgetary Comparison Schedule General Fund Year Ended September 30, 2008

	Budgeted		Actual	Variance With Final Budget
	Original	Final		
<b>Revenue</b>				
Telephone service fees	\$ 3,925,000	\$ 3,925,000	\$ 3,880,061	\$ (44,939)
Wireless service fees	389,000	364,000	397,246	33,246
Wireless education income	20,000	27,500	27,573	73
Microphone income	-	53,900	59,100	5,200
Earnings on investments and deposits	200,000	288,000	281,181	(6,819)
Other revenue	2,000	2,000	3,111	1,111
Total revenue	4,536,000	4,660,400	4,648,272	(12,128)
<b>Expenditures - Current</b>				
Nonwireless:				
Salaries and wages	1,646,000	1,530,800	1,529,156	1,644
Fringe benefits	670,200	733,500	686,474	47,026
Office supplies	12,250	13,070	11,826	1,244
Postage	2,500	2,500	1,541	959
Uniforms	6,000	6,000	4,322	1,678
Contract services	193,500	124,500	93,357	31,143
Accounting	20,000	20,000	17,425	2,575
Professional fees	40,000	18,000	16,500	1,500
Memberships	3,890	3,890	2,714	1,176
Insurance	52,000	52,000	42,738	9,262
Telephone	70,500	41,500	36,699	4,801
Utilities	40,000	40,000	29,805	10,195
Building maintenance	18,900	18,900	15,203	3,697
Equipment maintenance	17,500	67,500	1,469	66,031
Equipment service contracts	259,100	159,100	125,281	33,819
Equipment lease	5,700	5,700	4,724	976
Tower lease	50,000	50,000	41,000	9,000
Facilities agreement	40,000	40,000	40,000	-
Education and training	19,650	7,650	2,938	4,712
Contingency	25,000	25,000	-	25,000
Capital outlay - Communications equipment	5,141,870	1,051,170	962,310	88,860
Wireless:				
Salaries and wages	389,000	459,000	397,246	61,754
Salaries - Education and training	9,000	9,500	9,322	178
Education and training	16,500	16,500	14,025	2,475
Total expenditures	8,749,060	4,495,780	4,086,075	409,705
<b>Excess of Revenue Over (Under) Expenditures</b>	(4,213,060)	164,620	562,197	397,577
<b>Fund Balance - Beginning of year</b>	8,269,190	8,269,190	8,269,190	-
<b>Fund Balance - End of year</b>	<u>\$ 4,056,130</u>	<u>\$ 8,433,810</u>	<u>\$ 8,831,387</u>	<u>\$ 397,577</u>



# **Genesee County 9-1-1 Consortium Commission**

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**Report to the General Membership  
September 30, 2008**



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To the General Membership  
Genesee County 9-I-I Consortium Commission

We have recently completed our audit of the basic financial statements of Genesee County 9-I-I Consortium Commission (the "Consortium") for the year ended September 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, and informational comments which impact the Consortium.

	<u>Page</u>
<b>Report on Internal Control</b>	1-2
<b>Results of the Audit and Other Information</b>	3-5

We are grateful for the opportunity to be of service to the Consortium. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

November 7, 2008

## Report on Internal Control

November 7, 2008

To the General Membership  
Genesee County 9-I-I Consortium Commission

Dear General Membership:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Consortium's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Genesee County 9-I-I Consortium Commission as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the General Membership  
Genesee County 9-1-1 Consortium Commission

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script that reads "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE

## Results of the Audit and Other Information

November 7, 2008

To the General Membership  
Genesee County 9-I-I Consortium Commission

We have audited the financial statements of Genesee County 9-I-I Consortium Commission for the year ended September 30, 2008 and have issued our report thereon dated November 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Consortium. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our communication to the general membership dated October 17, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies

To the General Membership  
Genesee County 9-1-1 Consortium Commission

used by Genesee County 9-1-1 Consortium Commission are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008.

We noted no transactions entered into by the Consortium during the year for which there is a lack of authoritative guidance.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful life of capital assets and the fourth quarter surcharge revenue.

Useful lives of capital assets are based upon management's estimate of their lives. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The fourth quarter surcharge revenue estimate was based upon management's estimate of the revenue to be received in the future year for revenues attributable to the year ended September 30, 2008. We evaluated the key factors and assumptions used to develop the estimate of fourth quarter surcharge revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any uncorrected misstatements during the course of the audit.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction,

To the General Membership  
Genesee County 9-1-1 Consortium Commission

that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated November 7, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Recommendations and Information***

In the normal course of our professional association with the Consortium, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Consortium, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Consortium's auditors.

This information is intended solely for the use of the board of trustees and management of Genesee County 9-1-1 Consortium Commission and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Consortium board for the opportunity to serve as auditors for the Consortium. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters or would like assistance in their implementation, please contact us.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in cursive script, reading "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE